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FISCAL IMPACT STATEMENT

LS 7483

BILL NUMBER: HB 1740

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Property tax exemption.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the county auditor to grant a one-time waiver of a failure to file a property tax exemption application under certain circumstances.

Effective Date: Upon passage.

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

Under this provision, subject to appropriation, state expenditures for Property Tax Replacement Credit (PTRC) and Homestead Credits could vary. The amount of the increase or decrease would depend on the potential tax shift that would result if the tax base is reduced. If part of the tax shift is applied to homesteads then Homestead credits would increase; if part of the tax shift is applied to business personal property then PTRC payments would decrease. PTRC and Homestead credits are paid from the Property Tax Replacement Fund.

Explanation of State Revenues: The state levies a tax rate for State Fair and State Forestry. Any reduction in the tax base because will reduce the property tax revenue for these two funds. The amount of the decrease will depend on the amount of the reduction.

Explanation of Local Expenditures: If there is a tax shift and part of it is applied to homesteads then local

homestead credits, if any, could possibly increase.

Explanation of Local Revenues: Under current law, a person who fails to comply with the statutory procedures for obtaining an exemption, waives the exemption and his/her property is subject to property taxation. This bill authorizes the county auditor to grant a waiver to a taxpayer who either did not file an exemption for the property in question, or failed to file for the exemption on time. The property owner has to file for the waiver with the county auditor. The auditor has to confirm that the failure was due to human error which resulted in the exemption being denied for one or more assessments dates, and that the owner has obtained an exemption for this or other property in the county for any period of 20 consecutive years after 1975.

The county auditor will then forward the exemption application to the county property tax assessment board of appeals (PTABOA). The PTABOA shall review and make a determination on the application for the year or years to which the application applies. If the waiver is granted, the property owner is eligible for a refund without interest of property taxes paid on the exempt property for the assessment dates in question. The property owner is only entitled to one waiver in a county.

The fiscal impact of this bill on local taxing units would depend on when waiver is approved and when budgets, tax levies, and the tax rates of the taxing units are finalized. If the waiver is approved before property tax levy and tax rates are finalized, then there would not be any loss of revenue as the tax would shift to other taxpayers in the form of an increased tax rate. On the other hand, if the waiver is approved after tax rates have been calculated or if the waiver applies to multiple years, then there could possibly be negative impact on local revenues depending on the size of the refund. Property tax refunds reduce current year revenues.

There is at least one known taxpayer in LaPorte County, that would be affected by this bill. It is also possible that there are additional taxpayers in LaPorte and other counties that could currently or in the future be affected by this bill.

State Agencies Affected: Department of Local Government Finance; State Fair Board; DNR Division of Forestry.

Local Agencies Affected: County Auditors; County Property Tax Assessment Board of Appeals.

Information Sources:

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